

7 January 1974

MEMORANDUM OF UNDERSTANDING

SUBJECT: Establishment of the CIA-DIA Military
Costing Review Board

GENERAL

1. Events of the past twelve months have made it clear that intelligence estimates on Warsaw Pact military spending have become increasingly important to US policy decisions and that they are likely to become even more important in the future. This has made it even more essential than in the past that we develop the best possible spending estimates and coordinate the military costing activities under way in the different agencies. The CIA-DIA Military Costing Review Board is established as of this date with the objective of improving our military cost estimates, effecting a more efficient exploitation of our collection and analytical resources in this area and ensuring the proper use of military cost and expenditure estimates.

MEMBERSHIP

2. The Board consists of five members. The Chairman and two members are designated by the Director of Strategic Research, CIA; two members are designated by the Deputy Director for Intelligence, DIA. CIA is responsible for providing the Secretariat. The Board is authorized to appoint working groups as it sees fit.

SECRET

RESPONSIBILITIES

3. The Board is charged with the following responsibilities:

a. Establishing and maintaining a Joint Data Bank of military price data and costing methodologies.

b. Reviewing all entries into the Joint Data Bank.

c. Coordinating all research activities, including external contracts, on military pricing methodologies to ensure that all resources are being exploited, that research standards are rigorous and procedures consistent, and that both agencies have opportunity for joint participation where desirable.

d. Coordinating collection activities related to military costing matters.

4. CIA will continue to operate its Strategic Cost Analysis Model (SCAM) as a service of common concern and will provide the output to DIA on a regular basis. The Board will review the use of SCAM data to ensure consistency in concepts and methods and identify and correct, to the extent possible, any misapplication of cost and expenditure analysis.

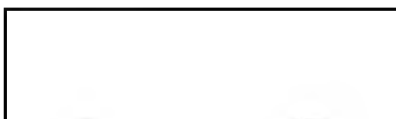
5. The Board will consult regularly with CIA's Military Economic Advisory Panel to obtain the benefit of its review and advice.

6. The Board will prepare an annual report for the Deputy Directors for Intelligence, CIA and DIA, on accomplishments and problems in the area of military costing.

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MEETINGS

6. The Board will meet on a regular monthly basis. Ad hoc meetings may be called at the request of any Board member.



E. H. KNOCHE
Director, Strategic Research
Central Intelligence Agency



Deputy Director for Intelligence
Defense Intelligence Agency

15 JAN 1974

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Gen Graham -

Believe you would
be interested in this message
but see no indication you
have seen it.

✓ Reply

Don

Gen Graham read first cy

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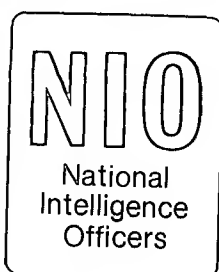
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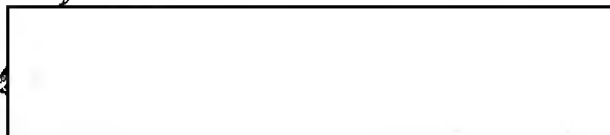
DATE: 12 February 1974

TO: General Graham

SUBJECT:

The attached was brought to me this morning (12 February) by the Operations Center. Neither you nor I were on distribution for it. I am not quite clear precisely what is going on or what this message is intended to achieve and would appreciate any light you could shed on this subject.

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Tak
Per WEJ

D/DCI/NIO

Attachment

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